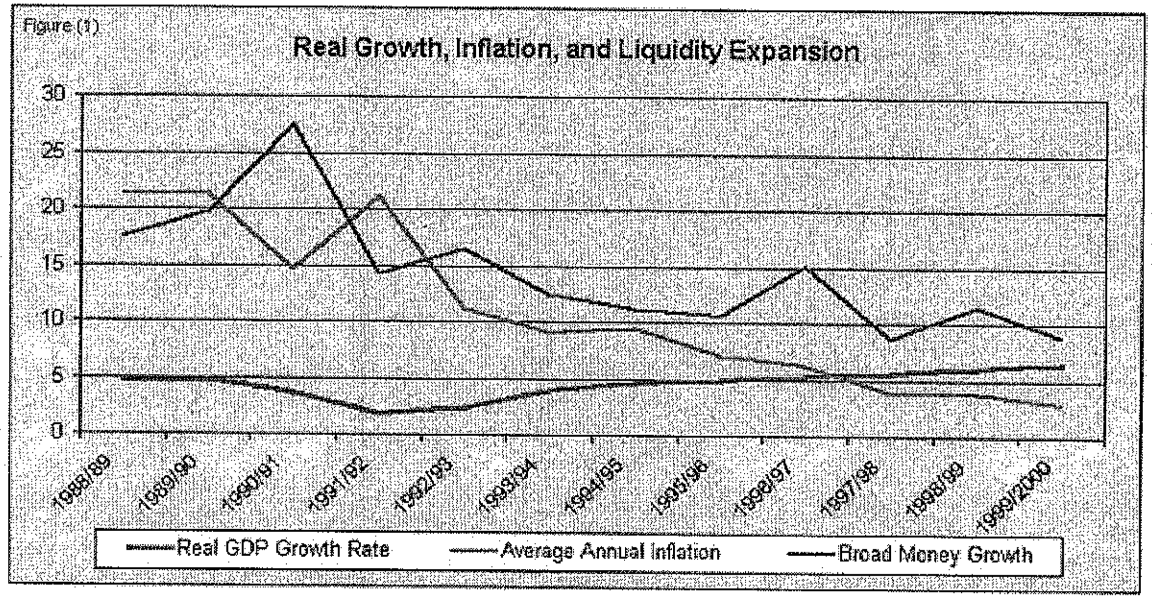

Source: Ministry of Planning, CAPMAS and Ministry of Foreign Trade.

III Background, management, markets and strategy (continued)

The Egyptian Economy (continued)

- During our review it has become apparent from our discussions and from local press articles that the Egyptian economy has faced economic difficulties over the past year.
- The key points arising from these articles are as follows:
  - Foreign investments have reduced by 60% in one year.
  - The number of state companies incurring losses has increased by 55%. Al-Wafd quoted a ministry source that State companies lost LE 8.5 billion over the last year.
  - Direct foreign investments for the 6-month period since 1 January 2001 were US$333 million, down 60% over the same period in the previous year.
  - 136,000 workers in the textile sector, one of Egypt's most important industries, have been laid off, and in the agricultural sector some 30,000 farmers are facing prison sentences because of an inability to settle their debts.
  - 150 factories have closed in the industrial zones of 10th of Ramadan and Borg el Arab.
  - According to the article in Al Wafd, a government source in the Ministry of Finance/Treasury has confirmed there has been an increase in liabilities by the Government to contractors and suppliers of LE 10 billion within the past 12 months. The article comments that the Government has settled LE 8 billion of its debts due to suppliers and contractors prior to 30 June 2000. The article goes on to note that projects have been delayed due to delays in the settlement of debts and that meetings are expected to be held by the Prime Minister to seek a solution to the current crisis.

III Background, management, markets and strategy (continued)

The key issues

- The key economic issues as far as the Group is concerned seem to be as follows:
  - Depreciation of the Egyptian pound against the US dollar. Between July 2000 and January 2001 the official price jumped from LE 3.4 to LE 3.87 and is currently LE 3.93. There is also an acute shortage of US dollars and currency is only obtainable on the open market at a rate of LE 4.12.
  - The privatisation process has slowed down in the past two years, which has caused a shortage in the inflow of hard currency into the country that could not be covered from other sources. The other sources of foreign currency in Egypt, mainly petroleum exports, the Suez Canal and tourism, have not been able to bridge this gap.
  - The impact of this depreciation, an effective 21%, is causing borrowers to default.
  - Since 1 July 2000 the local banks require all L/Cs to be covered fully by foreign currency, rather than the previous requirement of 10% in local currency.
  - In the past two years the Egyptian market has experienced a severe lack of liquidity.
  - The liquidity problem arises (at least in part) from the government delay in settling its debt to sub-contractors, resulting in a slow-down in the circulation of money. Lately the Egyptian Government has started to pay a portion of its debts amounting to LE 8 billion but, as noted above, some LE 10 billion remains outstanding from the last 12 months to contractors and suppliers. During the past year the government has been unable to pay its debts due to shortfalls in tax collection, as the economic slow-down has proven fatal to most companies operating in Egypt. The government has introduced with effect from 1 July 2001 the second and third phases of the Sales Tax law in order to increase its revenues and to be able to pay its outstanding debt.
  - Additional evidence of the Government liquidity problem has been a failure to honour cheques drawn in favour of the Group.

III Background, management, markets and strategy (continued)

The key issues (continued)

- We also understand from the Group that the Government has reduced payments in advance on healthcare contracts from 50% to between 10% and 25%.
- These factors, particularly the lack of liquidity and the depreciation of the Egyptian pound, have been a major contributor to the Group's difficulties.

Local banks

- The Group maintained facilities with a number of local banks. The facilities are summarised in Appendix B.
- In June 2000, the Group defaulted to Banque du Caire on interest payments due on the LE 250 million and LE 400 million guaranteed bonds issued by respectively ASF and Lakah Holdings, and guaranteed by Banque du Caire. This was plainly a matter of major concern for the local banks.
- In October 2000, the Group commenced negotiation of a debt restructuring agreement with the local banks, with the support of the Central Bank of Egypt and the Minister for the Economy. That agreement, the Framework Agreement, was signed on 8 October 2000.
- We have reviewed the Framework Agreement, both in the original Arabic and in English translation (See Appendix C). Whilst we are not qualified to advise upon the legal effect and implications of the Framework Agreement, it appears to us that the document is not entirely clear and is somewhat vague and potentially ambiguous.
- Accordingly, it may not necessarily have the effect of fully stabilising the Group's position vis-à-vis the local banks.

III Background, management, markets and strategy (continued)

Local Banks (continued)

- Subject to the above, the main terms of the Framework Agreement appear to provide as follows:
  - Debts of less than LE 15 million to be paid in full as cash becomes available from operational cash flow and (if required) the sale of specified assets. Debts less than LE 15 million owed to local banks at 31 December 2000 totalled LE 34 million. The specified assets are attached as part of the Agreement.
  - Debts of more than LE 15 million to be deferred for a period of two years from the date of the Framework Agreement and for interest to be rolled up.
  - Following the expiry of the two-year grace period, interest is to be paid as normal and principal and interest rolled up to the end of the grace period is to be paid in equal quarterly instalments over five years.
  - A one-year moratorium on debt service of the Local bonds.
  - Existing bank facilities from banks lending in excess of LE 15 million continue to be available to the Group.
  - Specified personal assets of Ramy Lakah and/or his family to be sold (if required) within two years of the date of the Framework Agreement. The balance (after payment of amounts secured by pledges) to be paid to the local banks due under LE 15 million, with the surplus thereafter available to finance the business.
  - The local banks are to nominate two individuals to be members of the Board of directors of Lakah Holdings. They have yet to do so.

III Background, management, markets and strategy (continued)

Banque du Caire

- Banque du Caire is the Group's principal banker and 7% shareholder. They acted as underwriters and guarantors for two Egyptian Pound denominated bond issues comprising of LE 250 million to ASF, and LE 400 million to the Holding Company, and provided major bank facilities. They are entitled to appoint a representative to the Board of Directors of Lakah Holdings (their present representative being Badawi Hassanein).
- On 29 September 1998, ASF issued LE 250 million 2005 11% bonds, underwritten and guaranteed by Banque du Caire. A 0.5% per annum guarantee fee is payable to Banque du Caire. These bonds have a term of seven years.
- In March 1999, Holdings issued LE 400 million 2006, 11% bonds, underwritten and guaranteed by Banque du Caire. A 0.5% per annum guarantee fee is payable to Banque du Caire. These bonds have a term of seven years.
- Bank loan facilities provided to the Group by Banque du Caire are as follows:

		Balance at 31 December 2000
TMSE	Loan	LE 90,864,000
Medequip	Loan	LE 63,034,000
Holdings	Loan	LE 76,069,000

III Background, management, markets and strategy (continued)

Banque du Caire (continued)

- There appears to be a significant level of difficulty in the relationship between the Group and Banque du Caire at the present time and, given the size of Banque du Caire's exposure to the Group, this is clearly a sensitive and important matter.

- We have not had opportunity to speak with Banque du Caire and to understand their position on the various issues. Further, many of the issues touched upon below are legal questions. Even if we were in possession of all of the relevant facts, it would be inappropriate for us to comment upon the merits of the legal arguments. However, it is appropriate that Bond holders be aware of the issues.

- We understand that the difficulties commenced at the time of the sale of ASF.

- For the ASF LE 250 million bonds to secure the guarantee obligation, Banque du Caire had taken pledges on 800,000 shares of Medequip and 400,000 shares of TMSE. In addition, ASF undertook not to borrow from other banks.

- As part of the financial restructuring agreed pursuant to the issue of Eurobonds in December 1999, it was agreed that Banque du Caire would release the pledges held (over the Medequip and TMSE shares) and release ASF from its undertaking not to borrow from other banks. In consideration for so doing, Banque du Caire would receive US$35 million – then equivalent to LE 119 million – from the proceeds of the Eurobond issue to be placed in a blocked deposit account to provide a sinking fund to repay the LE 250 million bonds on maturity.

- On 8 December 1999, Banque du Caire instructed MISR for Settlements (official Egypt security agent) to release the pledges on the shares. It is also cancelled the restriction on ASF borrowings from other banks. The deposit of US$35 million was duly made.

- It is alleged by the Group that, following receipt of the deposit, Banque du Caire caused ASF to grant a pledge on ASF's assets in favour of Banque du Caire, using a power of attorney held by the Bank in accordance with normal Egyptian banking practice.

III Background, management, markets and strategy (continued)

Banque du Caire (continued)

- In January 2000, the business and operating assets of ASF were sold for LE 321 million. The consideration was payable partly in cash LE 100 million, and partly in Notes totalling LE 221 million payable over six years, guaranteed by National Bank of Egypt. The Notes were deposited in Banque du Caire in the expectation that, as they matured, the proceeds would be made available to the Group for investment and other purposes.
- The Group believes that when the sale of ASF was completed and the Notes were deposited with Banque du Caire, the Group was not in default of its obligations to either local banks or Bondholders.
- Banque du Caire is paying the proceeds of the Notes into a blocked deposit account accruing interest. We understand that Banque du Caire intends to apply the proceeds and interest thereon to repay Holdings' bond on maturity LE 400 million.
- The Group has requested that Banque du Caire release pledges held on non-Eurobond guarantee assets and shares or to release the Notes and proceeds thereof.
- We understand that Banque du Caire is, however, keeping the proceeds of the Notes, and maintaining the pledges held over various non-guarantee company assets.
- We also understand that Banque du Caire cancelled facilities it had previously offered to make available to finance a medical centre at El Korba in Heliopolis, to be built and operated by MCMC.
- The Group considers that this action at a time when the Group considers that it was not in default, caused significant loss to the Group and was a contributory cause of its decline.

III Background, management, markets and strategy (continued)

Banque du Caire (continued)

- In particular, by holding the Notes payable and not releasing either the proceeds or other security held, the Group considers that Banque du Caire deprived the Group of both liquid funds and the opportunity to raise additional loans from other banks to invest in other activities (such as the El Korba project and a new venture in medical consumables) which:
  - Has deprived the Group of a revenue and profit stream from ASF, Amitrade and Universal Trucking which they have been unable to replace. In 1999 these companies contributed profits of ASF- LE 24 million (before an extraordinary gain of LE 18 million), Amitrade- LE 38 million (before tax of LE 13 million) and Universal Trucking- LE 9 million.
  - The benefit of the Notes Receivables as they matured over the forthcoming six years.

Strategic financial planning and control

- The Group's lack of an effective CFO has hindered the Group's ability to deal with the difficult financial circumstances facing the Group.
- Operating in relatively unstable developing markets, growing rapidly and potentially subject to relatively rapid swings in its revenues, the Group was highly geared and paying relatively high rates of interest. This serves to increase the risks in the Group.
- Furthermore, although much of its revenues are in Egyptian pounds, its key suppliers require payment in US dollars, leading to currency exposure which, with the depreciation and non-availability of the Egyptian pound, has contributed to the difficulties.
- The Group's financial systems are weak and since mid-2000 there has been an absence of budgetary control.

III Background, management, markets and strategy (continued)

The Group's strategy

Outline description of the strategy for the Group's businesses

- The medical equipment and healthcare markets are central to the Group's future and it has (with some exceptions) increasingly focused on those markets.
- The approach to the medical/healthcare markets has four key elements:
  - The creation of a strong portfolio of agencies for major medical equipment manufacturers, seeking out and winning the agencies for the dominant manufacturer in each sector.
  - The extension of the Group's operations from Egypt into Turkey, the Middle East and Northwest Africa through the appointment of sub-agents in territories outside Egypt, and close monitoring of those agents to ensure quality and delivery standards are maintained.
  - The creation of a strong delivery team and the delivery of exceptional after-sales service, to build and maintain a strong user base.
  - The planning, construction and maintenance of turnkey medical facilities.
- We understand that the Group intends to maintain and increase its focus on the medical and healthcare markets in Egypt, Turkey, the Middle East and North Africa.

III Background, management, markets and strategy (continued)

The Group's strategy (continued)

Outline description of the strategy (continued)

- In the more stable and developed markets, the Group maintains sub-agents and relies upon those for sales (with the exception of Egypt and Turkey, where it trades directly). In the less developed markets, it operates opportunistically through its network of contacts.

- The Group maintains an industrial sub-group comprising a detergent factory, serving the laundry market and a light bulb factory.

- The detergent factory was formerly leased to a major consumer products company but since January 2000 has been operated by the Group. It is trading at slightly better than break-even and generating cash, although it may face difficulties arising from the economic situation including difficulties in obtaining raw material supplies. There are no immediate plans for its disposal, although we understand that it is not part of the long-term strategy.

- The light bulb factory is presently trading at a very low level. A major dispute with its workforce has recently been settled but major investment is required to enable the operation to trade profitably.

- As anticipated in the prospectuses for the issues of Global Depository Shares and the Eurobonds, issued in 1999, the Group exited the steel business in early 2000 through the sale of the business and operational assets of ASF. However, as noted above, the Group retains a 49% interest in Suez Steel, a manufacturer of sponge iron. It is not at present clear whether this will be sold.

IV Past trading results

Summary of recent results

	Year ended 31 December 1998 LE millions	1999 LE millions	2000 LE millions	Comments and main issues
Turnover	674	1,227	468	See below
Gross profit percentage	33.2%	36.1%	29.9%	
Gross profit	**224**	**443**	**140**	See below
Overheads	(42)	(110)	(103)	
Interest expense (net of interest income)	(58)	(99)	(177)	See below
Provisions	(5)	(8)	(229)	Includes provisions against inventory LE31m, and receivables LE 189m, other LE 9m
Capital gain	0	0	64	Capital gain on sale of the business and operating assets of Arab Steel
Profit/(loss) before taxation	**119**	**226**	**(305)**	
Taxation	(21)	(50)	0	
Minority interests	(4)	(4)	6	
Dividends	0	0	0	
Profit/(loss) retained	**94**	**172**	**(299)**	

- Sales grew by 82% from 1998 to 1999, largely in response to increasing spending by the Egyptian Government on new medical facilities. From early 2000, Egyptian government spending in this sector declined sharply in response to budgetary pressures and remains low.

IV Past trading results (continued)

Summary of recent results (continued)

- The reduction in the Group's activities in 2000 arose from a combination of the effect on the lower health budget spending, and also the effect of discontinued activities following the sale of ASF. It had been intended to replace this with investment in the medical consumables business. Stripping out ASF and Amitrade, the reduction in turnover from 1999 to 2000 was of the order of 86%. From 2001 the main contributors are the two medical businesses, Medequip and TMSE; and the detergent factory operated by IIC.

- Overheads rose sharply from 1998 to 1999 as the Group geared up for its ongoing work in progress and what it perceived to be a long term increase in the level of business. Savings were made in 2000, reducing General and Administrative Expenses from LE 84 million to LE 51 million. Further action was taken in late 2000 and early 2001 which will reduce costs for 2001 and onwards.

- The high level of provisions (LE 229 million) which are principally against inventories (LE 31 million) and receivables (LE 189 million) adversely affected the results in 2000. Over LE 100 million of the provisions against receivables were made in ASF and Amitrade.

- During 2000 provisions against inventory include LE 20 million in respect of stock destroyed or badly damaged in the earthquake in Turkey.

- The sale of the business and assets of ASF resulted in a capital gain.

IV Past trading results (continued)

Turnover

The extent of the reduction in Turnover can be analysed as follows:

	Year ended 31 December 2000 LE 000 - Turnover	Year ended 31 December 1999 LE 000 - Turnover
Medequip	272,457	486,500
TMSE	92,356	151,648
MCMC	4,099	70,565
IIC	56,882	12,976
ICC	4,276	38,955
Quest	384	40,220
	430,454	800,864
ASF	13,143	220,568
Armitrade	35,496	265,855
	479,093	1,287,287
Less Inter-Co	(11,352)	(60,168)
	467,741	1,227,119

IV Past trading results (continued)

Turnover (continued)

- Turnover from continuing activities almost halved in 2000. Almost LE 500 million of 1999 turnover came from ASF and Amitrade.
- In both Medequip and TMSE the decline in revenues was the result of the decline in Government spending on healthcare due to the lack of Government funding. This affected both public and private sector customers. Quest operates principally as a sub-contractor to Medequip and its business therefore suffered as a result of the lower level of hospital construction projects.
- The increase in IIC reflects the move from rental income for the detergent factory to IIC operating the factory itself and generating sales. The business had a good first year, capturing 20% of the Economy market for detergents. IIC is avoiding those parts of the market dominated by the major brands.
- The lighting factory operated by ICC had a very poor year. Its turnover fell dramatically in 2000 compared to 1999 due to the effect of competition from cheap imported Chinese lamps and the fact that much of the manufacturing plant was out of commission awaiting renovation. The Group advises that they had intended to invest in the plant, following which it was intended to manufacture lamps for GE that would be sold locally and internationally. However, due to lack of funding for the investment, this has had to be put on hold, with the result that the factory continues to operate at a very low level and is severely over-manned and suffers from labour unrest.
- MCMC's turnover in 2000 was, as noted above, substantially below the previous year. In fact, 1999 was an exceptional year and 2000 simply returned business levels to those of 1998.

IV Past trading results (continued)

Gross Profit

- Of the LE 140 million gross profit in 2000 the major contributors were Medequip LE 99 million (36%) and TMSE LE 34 million (37%). Both these businesses have improved margins over recent years, suggesting that they are established in their markets and price pressure has not been a major issue. TMSE enjoys higher margins on its overseas businesses where it sells through local distributors.

- MCMC incurred losses of LE 8 million in 2000, compared with a gross profit of LE 34 million in 1999. This turnaround in result was due to 1999 being an exceptionally good year. This was due to a large student medical programme sponsored by the Government (albeit that much of the revenue remains to be collected). The loss in MCMC was offset by net income of LE 7.2 million from the rental income from the detergent factory.

- Amitrade and ASF produced gross profits of LE 3.5 million and LE 2.4 million respectively.

Overheads

- Overheads include depreciation and amortisation of LE 49 million and included the write-off of pre-operating expenses.

Interest (net of interest income)

	Year ended 31 December 2000 LE Millions
Local borrowings	74.2
Local Bonds	75.7
Eurobond	45.3
Interest received	(18.3)
	176.9

IV Past trading results (continued)

Overheads (continued)

- Financing costs have risen sharply from LE 103 million to LE 177 million in 2000. The major element of the increase is, of course, the addition of the Eurobond interest, the effective cost of which has increased with the depreciation of the Egyptian pound.

- The level of financing costs is now more than the Group's activities can sustain. In terms of cash flow, this has been recognised by the two-year moratorium on interest payments on local bank borrowings.

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Private and Confidential Urgent

18 July 2001

Dear Sirs

Project Helio ("Cognac")
Report on financial position and prospects for the Eurobond holder Group

I am pleased to enclose herewith [ ] copies of the above Report, pursuant to the Eurobond holder Group's instruction letter of 28th February 2001 to Mansour & Co PricewaterhouseCoopers in Egypt.

Information contained in the Report is highly sensitive and confidential, both commercially and politically. The Report is supplied on the understanding that it is solely for the use of the Bondholders and the Group in connection with the ongoing discussions between them. No persons other than the Bondholders may rely on it for any purpose whatsoever. It must not be copied in whole or in part to any other person without the express permission of Mansour & Co PricewaterhouseCoopers, which will not be unreasonably withheld, on condition of receipt of a 'hold harmless' letter.

The Report has been prepared for the Eurobond holder Group, solely for the purpose of the Eurobond holders considering their position and options in relation to the Group.

Key issues are as follows:

1 The Group's balance sheet is highly illiquid. In particular, the very substantial receivables, inventory and work in progress balances will not be recoverable until the present shortage of liquidity in the Egyptian economy eases. There are also substantial non-core investments that have tied up the Group's funds.

PRICEWATERHOUSECOOPERS

The Eurobond holder Group
19 July 2001

2 The core businesses in Medequip and TMSE appear reasonably sound but cannot at current trading levels support interest payable on outstanding debt albeit that at present interest on local debt is being rolled up under the Framework Agreement.

3 The Group's trading projections appear reasonably prudent but are subject to fundamental economic uncertainties. In particular, the cash flow projections assume that the current liquidity problems in Egypt will be resolved before the end of 2002.

4 The Group needs to realise cash from working capital and investments to reduce borrowings to a sustainable level.

5 The Group has secured some additional business under the UN "Oil for Food" program. It proposes to conduct it's future international business including "Oil for Food" contracts through a Special Purpose Vehicle ("SPV"). Some of the revenues of such business are to be made available to the Eurobond holders.

6 Ramy Lakah proposes to pledge to the Eurobond holder Group some of the assets referred to the Framework Agreement with the local banks; specifically, MidWest Airlines and the Scandinavian Company for Touristic Development (Sharm El-Sheik Hotel). The Framework Agreement does not contain a negative pledge clause and the proposal is at first sight not inconsistent with the Framework Agreement.

7 In addition to the country risk identified above, there are a number of other key risks in relation to the Group. These include:

- It is extremely dependant upon Mr Ramy Lakah, who currently fills all of the executive roles at Group level

- Financial controls and reporting arrangements are extremely weak. The appointment of a suitably senior and experienced CFO and the implementation of suitable reporting systems are key priorities

- The attitude of the local banks, and in particular of Banque du Caire, is both critical to the success of the Group and at present uncertain.

We must record the very considerable commitment of Ramy Lakah to the preparation of the Report.

V Recent balance sheets

Summary consolidated balance sheets

	31/12/1999 LE millions	31/12/2000 LE millions
Long term assets		
Time deposits	139	155
Notes receivable	0	192
Accounts receivable – long term	289	307
Long term investments	634	619
Fixed assets	472	371
Projects under construction	58	10
Goodwill	251	50
Deferred expenses	28	0
	1,871	1,704
Current assets		
Inventory	431	533
Work in progress	124	176
Debtors – short term balances	850	836
Cash and cash equivalents	98	15
	1,503	1,560
Creditors due within one year		
Due to Banks	239	70
Current portion – long term debt	48	0
Creditors (short term) inc. other credit balances	76	167
Provisions	67	22
	430	259
Net current assets/(liabilities)	1,073	1,301
Creditors due after one year		
Long term loans	320	595
Bonds	650	650
Creditors- long term balances	278	348
	1,248	1,593
Minority interests in subsidiaries	25	20
Shareholders' funds	1,671	1,392

V Recent balance sheets (continued)

Summary consolidated balance sheets (continued)

- The balance sheets above are based on the audited Group accounts at 31 December 1999 and 31 December 2000.
- Whilst there are net current assets of LE 259 million, the Group's liquidity position is worse than this suggests, as much of the short term receivables are unlikely to be capable of collection in the near future.

Time Deposits

- These are two time deposits held by Banque du Caire that they are holding as security for the LE 250 million bond. At the time of the Euro Bond issue US$35 million was put into an escrow account to replace the pledges held by the bank over Medequip and TMSE shares and to provide funds to meet the Bond liability at maturity. In March 2000, Banque du Caire confirmed to the Group that the redemption of the Bond by Banque du Caire is without recourse to ASF or the Holding Company.

Notes Receivable

- These are the Notes receivable from the purchaser of the ASF business and assets due from January 2001 to December 2006. Banque du Caire holds the Notes. The background to this has been set out above in Section III.

V Recent balance sheets (continued)

Long and Short Term Receivables

	31 December 1999 000 LE	31 December 2000 000 LE	Comments
Long term Receivables			
Medequip	192,659	186,878	A further LE 105m (net of provisions) of short term receivables should be classified as long term in the light of rescheduling agreements.
TMSE	96,851	120,243	A further LE 123m (net of provisions) should be reclassified as long term in the light of rescheduling agreements.
	289,240	307,121	

	31 December 1999 LE	31 December 2000 LE	Comments
Debtors short term balances			
Short term trade receivables			
Medequip	131,093	203,677	Of this amount only LE 42m is scheduled to be collected in 2001.
TMSE	65,607	182,747	Of this amount only LE 32 m is scheduled to be collected in 2001.
Bad debt provision	196,694	386,424	
	(11,197)	(83,569)	
	185,497	302,855	

V Recent balance sheets (continued)

Long and Short Term Receivables (continued)

Other Trade Receivables and Debit balances

Holdings	63,671	65,711	LE 21m accrued income on overseas JV investment, LE 45m funding of MidWest.
Medequip	150,662	205,398	Advances to suppliers LE 66m, letters of guarantee LE 24m, sales tax LE11.5m, withholding tax LE 8.9m, L/C's LE 16.3m, sundry short term debtors and balances LE77.3m.
TMSE	38,043	37,896	Advances to suppliers LE11.6m, cash margin on L/Cs and letters of guarantee LE 8.5m, sales tax LE 9.3m, Other LE 8.5m.
IIC	7955	14,486	Receivable from sale of building in 1999 LE 5.3m, trade receivables LE 3.6m, letters of guarantee LE 1m, Other LE 4.6m.
ICC	19,767	13,483	Trade receivables LE 5.4m, Advances to suppliers LE 6.6m, Other LE 3.5m.
Amitrade	96,360	70,110	Trade receivables LE 61.9 less provision LE 23.9m, Advances to suppliers LE 13.8m, other debit balances LE 18.2m.
Quest	17,325	4,580	Trade receivables LE 5.2m less provision LE 3.4m, advances to suppliers LE 2.6m.
MCMC	23,252	23,221	Trade receivables LE23.4m less provision LE 1.5m. Other balances LE 1.3m.
Holdings – re Goodwill		45,000	
Intermedia	81,067	0	
Universal Trucking	10,590	14,754	
	664,530	533,171	
Total Debtors Short term	850,027	836,026	

V Recent balance sheets (continued)

Long and Short Term Receivables (continued)

- The LE 45 million Holdings amount is a balance that was transferred from Goodwill at 30 December 2000 as part of the write-down of Goodwill. This is not a receivable and should be written off.
- The trade receivables in TMSE have been rescheduled with customers and where agreements where reached in 2000 for payment beyond 2001, they have been treated as long term. Rescheduling of further TMSE balances took place in quarter 1 this year, with the effect that a further LE 123 million needs to be reclassified as long term.
- Of Medequip's short term balance, LE 42 million is anticipated to be collected in 2001. Of the amount shown as short term LE 105 million should be reclassified as long term.
- Provisions of LE 55.9 million and LE 27.7 million have been raised against Medequip and TMSE short term balances (12% of total long and short-term receivables). In view of the difficult economic position and the liquidity crisis during 2000, many of the Group's customers have been unable to settle their receivables in accordance with their contractual obligations.
- In response to this, Medequip and TMSE have met with each private sector customer and have rescheduled the receivables in accordance with each customer's cash flow (based on their assessment of market conditions). The rescheduling includes the provision of interest. The Group has confirmed that there are no significant disputes with private sector customers concerning the rescheduled receivables.
- We have reviewed each rescheduling agreement and confirmed that the rescheduling is in line with the agreements.
- The Group has advised us that for these customers, in the event that they do not settle their debts in accordance with the rescheduled agreement, it would be their intention to repossess the equipment and resell it abroad, thereby limiting any loss.

V Recent balance sheets (continued)

Long and Short Term Receivables (continued)

- With regard to Government receivables, the Group has also confirmed that they are not aware of any significant disputes regarding these receivables. The key issue with receivables would therefore appear to be more one of timing of collection. In general, the Group has assumed a substantial reduction in receivables in late 2002. Whilst, on the basis of the information available, this is not an unreasonable assumption, the Group acknowledges that this must remain a key uncertainty. In the event that the Government does not settle its debts by the end of 2002, the Group has advised us that they would seek to repossess the equipment (which is largely new and unused) and resell to avoid any significant loss. This action would be a last resort, as it would no doubt cause the Group difficulties with the Government in future and therefore may not be practicable.

- The accrued investment income arises from a joint venture for the sale of medical equipment overseas and the Group expects to collect the outstanding amount in late 2001.

- The amount due of LE 45 million from MidWest Airline is funding of MidWest by the Lakah brothers. This debt has been assigned to the Group. This debt arose from a transaction covering the purchase of a Tupelov (Serocco) aircraft in June 1999. In order for MidWest to be able to repay this debt, a dispute concerning the transaction needs be resolved. The Group is confident this can be achieved if a meeting is held between the Chairmen of Central Bank of Egypt and National Bank of Egypt, and a representative of the Bondholders' committee. Absent resolution of this, MidWest is unable to settle this debt.

- Medequip's balance sheet contains a number of balances that probably should be provided against, totalling LE 30 million (Medequip Representative Office LE 10.2 million, disputed sales taxes LE 11.5 million, and disputed withholding taxes LE 8.9 million).

- IIC has a receivable of LE 5.25 million remaining outstanding from the sale in 1999 of a building. We understand that this is due for settlement later in 2001.

V Recent balance sheets (continued)

Long and Short Term Receivables (continued)

- Amitrade's trade receivables and other debit balances total LE 80.1 million, against which provisions of LE 23.9 million have been raised. These receivables compare with turnover of LE 35 million in 2000. The company is no longer trading. On the basis of discussion with the Group, a further LE 10 million needs to be provided.
- MCMC's receivables are almost entirely in respect of 1999, being receivables from the Government for the student medical programme that ran in that year.
- The above potential write-offs and provisions total LE 85 million.
- The success the Group has in collecting Medequip, TMSE and MCMC trade receivables during 2002 will be crucial in it having the cash flow to meet its obligations following the expiry of the two-year moratorium with the local banks.

Long term Investments

	31 December 1999 LE	31 December 2000 LE	Comments
Suez Company for Iron Works (49%)	53,628	53,628	We have not been provided with any financial statements on the Group's 49% interest.
Investment in Arab Cast Iron &Steel Factory (49%)	124,000	120,000	See below
Investment Portfolio		134,552	See below
Investment in Medical Equipment Activities in North Africa, Middle East, and Turkey	305,449	305,449	See below
Detergent Factory	81,000	-	
Helio Medical	65,083	-	
Other Long term investments	5,340	5,457	
	634,501	619,086	